

Message Text

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INFO OCT-01 ISO-00 /005 R

66011

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APPROVED BY: ARA:JFKEANE

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FM SECSTATE WASHDC

TO AMEMBASSY MANAGUA NIACT IMMEDIATE

C O N F I D E N T I A L STATE 231147

STADIS////////////////////////////////

LIMDIS, FOR SHLAUDEMANN FROM KEANE

FOLLOWING REPEAT QUITO 6683 ACTION SECSTATE DTD 17 SEP 76.

QTE: C O N F I D E N T I A L QUITO 6683

STADIS

LIMDIS

E.O. 11652: GDS

TAGS: ENRG PFOR EC

SUBJ: GOE GULF OIL DISPUTE

REF: STATE 229886

1. EMBASSY HAS CAREFULLY CONSIDERED GULF'S PROPOSAL OUTLINED IN REFTTEL AND OUR CONCLUSION IS THAT IT IS NOT SUFFICIENTLY FORTHCOMING AS TO MEET THE GOE'S INDISPENSIBLE NEED TO BE ABLE TO TELL THE PUBLIC THAT GULF HAS COMPLIED WITH THE LAW. THIS PROPOSAL HAS BEEN PRESENTED ORALLY BY GULF BEFORE ANS WAS FOUND WANTING BY THE GOF. GIVEN THAT THERE ARE BARELY TWO WEEKS BEFORE THE CADUCITY DEADLINE AND GIVEN THAT THIS IS A WARMED OVER PROPOSAL THAT WAS CONFIDENTIAL

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PREVIOUSLY REJECTED, WE FEAR THAT THE GOE REACTION MIGHT WELL

BE TO CHARGE THAT GULF IS NOT SERIOUS AND IS MERELY GOING THROUGH THE MOTIONS.

2. THE MISSING FEATURE OF THE PROPOSAL IS A PROVISION, OR COMBINATION OF PROVISIONS, THAT WOULD ENABLE THE GOE TO BE ABLE TO ANNOUNCE TO THE ECUADOREAN PUBLIC THAT GULF IS IN COMPLIANCE WITH THE GOE'S DEMAND TO PAY IN FULL THE DELINQUENT DEPOSITS. THE PROPOSAL LEAVES A CERTAIN AMOUNT REMAINING AS DELINQUENT, ROUGHLY HALF THE \$40 MILLION DELINQUENCIES IF GULF'S FIGURES ARE CORRECT, AND IN EFFECT IT ASKS THE GOE TO IGNORE THIS DELINQUENT AMOUNT ON THE GROUNDS THAT THE AMOUNT IS "COMMENSURATE" WITH THE AMOUNT OWED TO GULF BY THE GOE AND CEPE. APART FROM THE UNCERTAINTIES AS TO WHETHER THE TWO AMOUNTS ARE REALLY COMMENSURATE--THE GOE IS STILL A WAYS FROM QUANTIFYING PRECISELY ITS AND CEPE'S ACKNOWLEDGED DEBTS TO GULF--THIS ATTEMPT TO EQUATE THE TWO WILL IN ANY CASE CERTAINLY NOT MEET THE GOE'S NEED TO BE ABLE TO TELL THE CITIZENRY THAT GULF HAS PAID ITS DELINQUENT DEPOSITS IN FULL.

3. WE BELIEVE THAT THIS ASPECT OF THE PROPOSAL COULD BE MADE ACCEPTABLE TO THE GOE ONLY IF SOMETHING COULD BE DONE TO ENABLE TO GOE TO DEPICT THE REMAINING DELIQUINCY AS BEING NO LONGER A DELIQUINCY; AND THE ONLY WAY WE CAN SEE TO ACCOMPLISH THAT WITHOUT UNDUE FINANCIAL RISK TO GULF IS TO HAVE THE REMAINING DELINQUENT AMOUNT PUT INTO AN ESCROW ACCOUNT THAT IS NOT UNDER THE CONTROL OF EITHER GULF OR THE GOE/CEPE BUT RATHER IS MADE PAYABLE AUTOMATICALLY TO THE ONE OR THE OTHER PARTY WHEN THE TWO PARTIES HAVE REACHED CERTAIN AGREEMENTS. IF THE TWO PARTIES DECIDE TO ENTER INTO NEGOTIATIONS WITH A VIEW TO RESOLVING GULF'S OPERATIONAL DIFFICULTIES SO THAT GULF COULD REMAIN IN THE CONSORTIUM, THEN THE FUNDS IN ESCROW COULD BE APPLIED AS AN OFFSET AGAINST THE TOTAL AMOUNT THAT THE GOE AND CEPE OWE TO GULF, AND THE TRANSFER OF THE FUNDS OUT OF ESCROW WOULD BE EFFECTED WHEN AND ONLY WHEN BOTH PARTIES HAVE RESOLVED THEIR DIFFERENCES AND GULF AGREES TO REMAIN IN THE CONSORTIUM, ALTERNATIVELY, IF THE TWO PARTIES NOW OR EVENTUALLY DECIDE TO NEGOTIATE A GOE BUY-OUT OF GULF, THE FUNDS IN ESCROW WOULD BE APPLIED AGAINST THE PURCHASE PRICE, AND THE TRANSFER OF THE FUNDS OUT OF ESCROW WOULD BE EFFECTED WHEN AND ONLY WHEN BOTH PARTIES CONCLUDE AND SIGN A BUY-OUT AGREEMENT.

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4. REGARDING THE APPLICATION OF THE SO-CALLED "ADVANCE" PAYMENTS TO OFFSET THE DELINQUENT DEPOSITS, AS WE NOTED IN PARAGRAPH 1 IT IS ESSENTIALLY THE SAME KIND OF ROLL-OVER HAS ALREADY BEEN BROACHED BY GULF IN RECENT WEEKS TO ADMIRAL POVEDA AND TO FINANCE MINISTER ROBALINO. WHILE EACH EXPRESSED WILLINGNESS TO CONSIDER IT, NEITHER PROVED WILLING IN SUBSEQUENT GOE MEETINGS TO SPEAK UP IN FAVOR OF THE CONCEPT. HOWEVER, HE ASSUME THAT THESE GOE

OFFICIALS AND OTHERS ARE NOW LOOKING IN GOOD FAITH FOR A WAY OUT OF THE CURRENT IMPASSE, AND ACCORDINGLY WE DO NOT RULE OUT THE POSSIBILITY THAT THEY MIGHT NOW BE MORE WILLING TO ACCEPT THE ROLL-OVER DEVICE AS ONE THAT WOULD PERMIT THEM TO SAY TO THE ECUADOREAN PUBLIC THAT GULF HAS PAID UP AT LEAST THAT MUCH OF ITS DELIQUENCY, PROVIDED THEY COULD THEN GO ON TO SAY THAT THE BALANCE IS BEING PAID INTO AN ESCROW ACCOUNT, AS OUTLINED IN PARA. 3.

5. WE WISH TO EMPHASIZE THAT EVEN THE DEVICE OF AN ESCROW ACCOUNT FOR THE REMAINING BALANCE OF DELINQUENT DEPOSITS WILL BE A RISKY BUSINESS FOR THE GOE, INASMUCH AS UP TO NOW IT HAS PUBLICLY BRUSHED OFF GULF'S CHARGE THAT THE GOE OWES GULF MONEY BY IMPLYING THAT THESE DEBTS, IF THEY EXIST, ARE MINOR AMOUNTS. THIS, THE REVISED OFFER WE SUGGEST IS BY NO MEANS A SURE THING.

6. YOUR NIACT--IMMEDIATE RECEIVED HERE AT 10 P.M. LOCAL TIME (11 P.M. WASHINGTON TIME). BLOOMFIELD UNQTE: ROBINSON

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Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PETROLEUM, LAW, FOREIGN INVESTMENT
Control Number: n/a
Copy: SINGLE
Draft Date: 17 SEP 1976
Decaption Date: 28 MAY 2004
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: cahillha
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976STATE231147
Document Source: CORE
Document Unique ID: 00
Drafter: ARA:JFKEANE:MBB
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D760352-0480
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760946/aaaabnpg.tel
Line Count: 133
Locator: TEXT ON-LINE, ON MICROFILM
Office: ORIGIN ARA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: LIMDIS, STADIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: LIMDIS, STADIS
Reference: 76 STATE 229886
Review Action: RELEASED, APPROVED
Review Authority: cahillha
Review Comment: n/a
Review Content Flags:
Review Date: 21 JUL 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <21 JUL 2004 by izenbei0>; APPROVED <02 NOV 2004 by cahillha>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: GOE GULF OIL DISPUTE
TAGS: ENRG, PFOR, BDIS, EC, NU, GULF
To: MANAGUA
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006